

10 December 2012



ESTONIA'S INTERNATIONAL INVESTMENT POSITION AND GROSS EXTERNAL DEBT as at 30 September 2012

At the end of the third quarter 2012, total foreign investment in Estonia over time was 28.6 billion euros, which was 76% more than the GDP of the previous four quarters (see Table 1). Foreign investments made during the quarter grew to stand at 2% at the end of the quarter. The structure of the foreign

Table 1. Estonia's international investment position (EUR million)

	30/06/2012	%	30/09/2012	%
EXTERNAL ASSETS				
Direct investment abroad	3,852.9	20.7	3,940.7	20.4
Equity capital and reinvested earnings	2,524.8	13.6	2,600.9	13.4
Other direct investment capital	1,328.0	7.1	1,339.8	6.9
Portfolio investment	4,457.9	23.9	4,799.9	24.8
Equity securities	1,737.5	9.3	1,818.7	9.4
Debt securities	2,720.3	14.6	2,981.2	15.4
Bonds and notes	2,080.4	11.2	2,084.1	10.8
Money market instruments	639.9	3.4	897.1	4.6
Financial derivatives	53.1	0.3	57.6	0.3
Other investment	10,053.3	54.0	10,324.3	53.3
Trade credit	1,819.5	9.8	1,888.6	9.8
Loans	2,227.0	12.0	2,199.2	11.4
Long-term	1,424.9	7.6	1,464.1	7.6
Short-term	802.2	4.3	735.2	3.8
Currency and deposits	5,496.1	29.5	5,669.2	29.3
Other assets	510.7	2.7	567.3	2.9
Reserve assets	213.8	1.1	232.2	1.2
TOTAL EXTERNAL ASSETS	18,630.9	100.0	19,354.6	100.0
EXTERNAL LIABILITIES				
Direct investment in Estonia	13,709.7	49.1	13,998.7	49.0
Equity capital and reinvested earnings	12,556.0	45.0	13,006.4	45.6
Other direct investment capital	1,153.6	4.1	992.4	3.5
Portfolio investment	1,702.6	6.1	1,805.8	6.3
Equity securities	692.3	2.5	737.0	2.6
Debt securities	1,010.3	3.6	1,068.8	3.7
Bonds and notes	1,008.1	3.6	1,065.6	3.7
Money market instruments	2.2	0.0	3.2	0.0
Financial derivatives	97.2	0.3	125.3	0.4
Other investment	12,417.1	44.5	12,624.2	44.2
Trade credit	1,558.9	5.6	1,570.2	5.5
Loans	4,022.8	14.4	4,492.8	15.7
Long-term	3,317.6	11.9	3,792.3	13.3
Short-term	705.2	2.5	700.5	2.5
Currency and deposits	6,550.8	23.5	6,403.6	22.4
Other liabilities	284.6	1.0	157.5	0.6
TOTAL EXTERNAL LIABILITIES	27,926.5	100.0	28,554.0	100.0
NET INTERNATIONAL INVESTMENT POSITION	-9,295.6		-9,199.4	

investment position did not change during the quarter. At close to half, direct investment made up the largest share of the total position of incoming foreign investments, with other investment (loans and deposits) making up 44%. The levels of both grew by 2% over the quarter. The remainder of the investments were portfolio investment and financial derivatives. Total direct investment in Estonia from foreign investors stands at 14 billion euros, of which 26% has gone into financial intermediation and insurance, 17% into manufacturing, 14% into real estate related activities, and 13% into wholesale and retail trade. Half of the direct investment came from Sweden and Finland and one tenth from the Netherlands.

Total investment abroad by Estonian residents increased in the third quarter by 4% to 19.4 billion euros at the end of the quarter. The foreign position increased mostly in portfolio and other investment. The structure

Table 2. Estonia's external debt (EUR million)

	30/06/2012	%	30/09/2012	%
LIABILITIES				
I. General government	770.9	4.8	1,006.5	6.2
Short-term	7.6	0.0	7.4	0.0
Long-term	763.3	4.8	999.1	6.2
II. Monetary authorities (NCB)	0.3	0.0	37.5	0.2
Short-term	0.3	0.0	37.5	0.2
Long-term				
III. Credit institutions	6,745.4	42.2	6,577.5	40.6
Short-term	4,828.7	30.2	4,902.9	30.3
Long-term	1,916.7	12.0	1,674.6	10.3
IV. Other sectors	5,910.8	37.0	6,071.5	37.5
Short-term	2,303.1	14.4	2,322.6	14.3
Long-term	3,607.8	22.6	3,748.8	23.1
V. Direct investment: intercompany lending	2,567.1	16.0	2,505.7	15.5
GROSS EXTERNAL DEBT	15,994.5	100.0	16,198.7	100.0
ASSETS				
I. General government	1,208.8	7.7	1,499.8	9.2
Short-term	521.1	3.3	788.2	4.8
Long-term	687.8	4.4	711.6	4.4
II. Monetary authorities (NCB)	1,598.8	10.2	1,592.4	9.8
Short-term	736.9	4.7	719.1	4.4
Long-term	861.8	5.5	873.3	5.4
III. Credit institutions	4,272.3	27.3	4,488.9	27.5
Short-term	3,525.6	22.5	3,704.1	22.7
Long-term	746.7	4.8	784.7	4.8
IV. Other sectors	5,815.5	37.2	5,863.8	36.0
Short-term	4,110.3	26.3	4,192.3	25.7
Long-term	1,705.3	10.9	1,671.5	10.3
V. Direct investment: intercompany lending	2,741.5	17.5	2,853.1	17.5
TOTAL ASSETS	15,636.9	100.0	16,298.0	100.0
NET EXTERNAL DEBT (assets less liabilities)				
I. General government	437.9		493.3	
Short-term	513.5		780.8	
Long-term	-75.6		-287.5	
II. Monetary authorities (NCB)	1,598.5		1,554.9	
Short-term	736.7		681.6	
Long-term	861.8		873.3	
III. Credit institutions	-2,473.1		-2,088.6	
Short-term	-1,303.1		-1,198.8	
Long-term	-1,170.0		-889.8	
IV. Other sectors	-95.3		-207.6	
Short-term	1,807.2		1,869.7	
Long-term	-1,902.5		-2,077.3	
V. Direct investment: intercompany lending	174.4		347.4	
TOTAL NET EXTERNAL DEBT	-357.5		99.3	

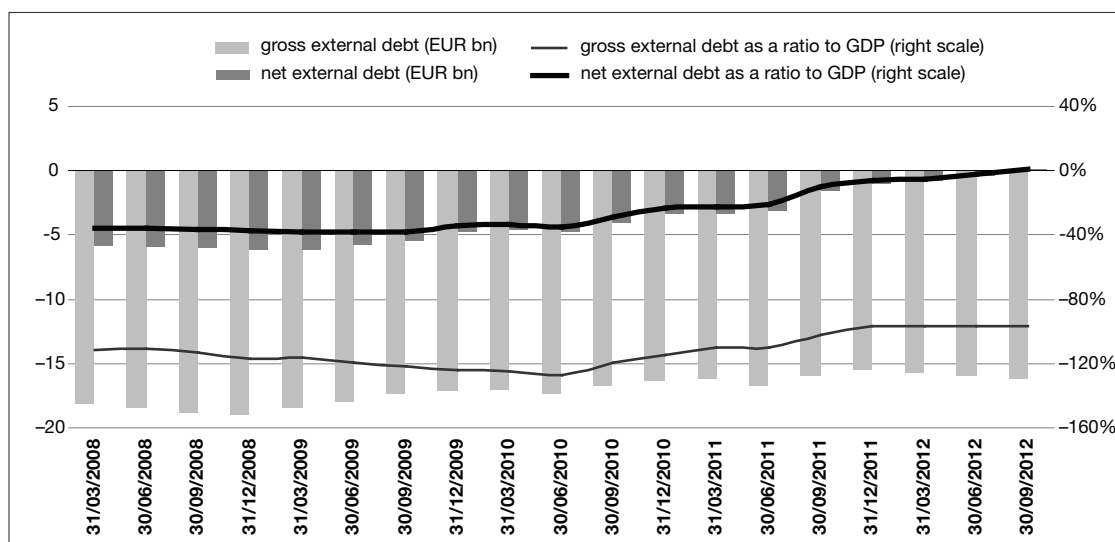


Figure 1. Estonia's gross and external debt

of investment abroad was also stable with other investment making up 53% of the total, portfolio investment 25%, and direct investment 20%. The remainder of the investments were reserve assets and derivatives. Over time, Estonian investors have invested 3.9 billion euros abroad **in direct investment**. Direct investment abroad has principally been made by investors in financial intermediation and insurance, transportation and storage, various professional, scientific and technical services, and real estate related activities, between them accounting for 75% of all direct investments. The Baltic states received 41% of direct investment, while Cyprus received almost one fifth.

Estonia's gross external debt, which is the external debt of all the economic sectors in the country, grew during the quarter by a little more than 1% and stood at 16.2 billion euros at the end of the quarter (see Table 2 and Figure 1). **The main driver of the growth in gross external debt was long-term loans to the general government sector.** Foreign investment into Estonia accounted for 57% of the gross external debt, and stood at a level 3% lower than Estonia's GDP for the last four quarters. The external debt of the government sector grew by almost one third during the quarter to make up 6% of total foreign debt. The largest part of gross external debt was the debt liabilities of credit institutions, though this had fallen from a peak of 60% during the boom to 41% by the end of the third quarter of 2012. The debt liabilities of other sectors followed with 38% and intra-group debts of direct investment companies with 15%. Debts to Sweden and Finland made up 39% of these liabilities.

Estonia's international investment position (external assets minus external liabilities) at the end of the quarter was negative by 9.2 billion euros, 2% more than one quarter earlier, because of the excess of foreign investment over investment made abroad by residents of Estonia. At the end of the previous quarter external debt liabilities exceeded external debt assets to give net external debt of almost 0.4 billion euros, but at the end of the third quarter external debt assets exceeded external debt liabilities for the first time by 0.1 billion euros. The main contributor to making net external debt positive was the drop in the net external debt of credit institutions.

More detailed statistics on Estonia's international investment position and gross external debt can be found on Eesti Pank's website under the heading "Statistics".

Estonia's international investment position and gross external debt on 31 December will be published on the Eesti Pank website (<http://www.eestipank.ee>) on 11 March 2013 at noon.